



DENVER CULTURAL SPACE SURVEY

An analysis of demand for arts and cultural shared space in Central Denver.

The Nonprofit Centers Network
Lara Jakubowski

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THE NONPROFIT CENTERS | NETWORK

EXECUTIVE SUMMARY

The Nonprofit Centers Network was engaged by the Bonfils-Stanton Foundation and the Colorado Educational and Cultural Facilities Authority to conduct a survey of organizations interested in a shared arts and cultural facility in central Denver. This engagement evolved in response to a variety of community-based groups expressing an interest in a shared space opportunity that would expand the presence of smaller arts organizations in central Denver.

NCN's goals for this engagement were to:

1. Determine the demand for a shared arts and culture space in central Denver and answer the following research questions:
 - Which organizations are interested in a shared space?
 - How much space are they interested in?
 - What can they afford?
 - Given several possible development opportunities (specifically in the Golden Triangle and Arapahoe Square), is there sufficient demand to warrant further exploration of shared space projects in either or both locations?
2. Recommend next steps based on best practices from the NCN network.

The survey had 161 unduplicated responses, 149 (93%) of which were from nonprofit organizations. The survey was distributed through a variety of channels, so it is difficult to pinpoint a response rate. However, the number of responses is approximately the same as a similar survey conducted by Artspace in 2008 which suggests a robust response rate.

The survey demonstrated strong demand for shared arts and cultural space, with 93 respondents (58%) indicating high or some interest. Total square footage needed is approximately 186,500 according to figures reported by survey respondents. However, the demand is site specific. For example, there were a total of 32 respondents who were either "Interested" or "Extremely Interested" if the space would be located in the Golden Triangle area and they reported a need for 81,250 square feet of space. When looking at the Arapahoe Square area, 23 respondents were either "Interested" or "Extremely Interested" and they reported a need for 43,550 square feet of space. There is also strong demand for shared space outside of central Denver, especially Arapahoe and Boulder counties.

Affordability is a chief concern among respondents. A majority (65%) of those with "Some" or "High" interest in shared space expect to either obtain space for free or pay less than \$10 per square foot. This is an important factor to consider in the feasibility of the project. This analysis varies by location and suggests that a specific project may be able to generate a higher rent level due to interest in a specific site. Also, many respondents were interested in occasional use rather than dedicated space, so further analysis would be needed to understand the related potential income stream and expenses.

A shared arts and cultural facility resonated strongly with those surveyed, however the concept will need to be refined given the limited resources of the target audience. If a project can be developed within a budget that allows for below-market rates, this facility will be a highly-desirable space with a variety of potential users. A shared space project provides an opportunity to efficiently address the space constraints many arts organizations face.

METHODOLOGY

This survey was developed to learn more about nonprofit space needs and potential interest in a shared arts and cultural space in central Denver. Based on previous feasibility and market studies performed for other nonprofit centers, the Nonprofit Centers Network (NCN) determined that both qualitative and quantitative data would be required to provide a broad understanding of the space priorities and issues facing Denver area arts organizations.

All survey data was collected via SurveyMonkey. A mix of questions and question types was developed, allowing for structured, specific quantitative inquiries, in addition to accommodating open-ended responses or further explanation on multiple choice questions. The survey was distributed by e-mail mainly through the Bonfils-Stanton Foundation (115 recipients, 55% open rate) and the Scientific and Cultural Facilities District (1,270 recipients, 44% open rate). It was also distributed by CECFA, the City of Denver's Office of Arts & Venues and other foundations and associations. When the survey closed after 2 weeks, there were a total of 169 respondents, with 106 of those providing a full response including contact information. Eight organizations responded twice to the survey and one response from each of these was eliminated after an analysis that identified the most complete response. Further follow up with these organizations may be warranted to confirm their responses.

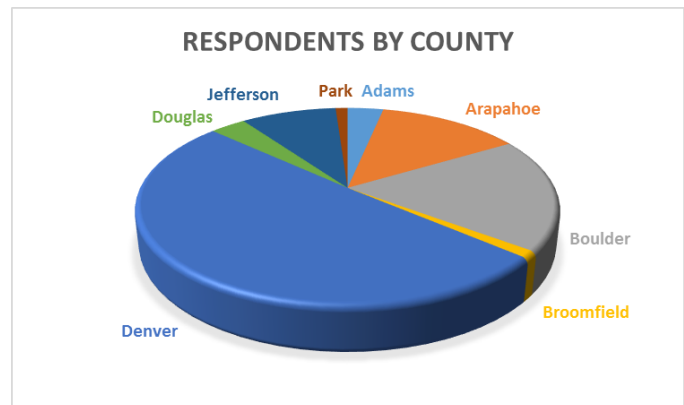
SUMMARY OF SURVEY RESULTS

The demand survey is an important tool to assess potential partners and to communicate the project to the wider community. This survey successfully captured a wide range of organizations and provides a rich set of data that will be useful for additional feasibility analysis.

Who is Interested in a Shared Space?

The majority of respondents to the survey question regarding organization type were representatives of nonprofit organizations, with 93% identifying themselves as such. The average organizational age was 31 years, reflecting the long-standing nature of most respondents.

The survey reflected geographic diversity, with only half of respondents reporting Denver County zip codes. Boulder (19%) and Arapahoe (13%) counties had significant numbers of respondents as well, as reported by zip code of the organization's primary address.

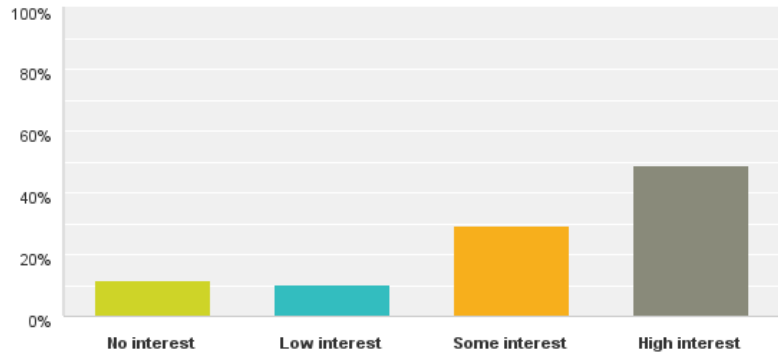


Respondents overwhelmingly reported serving the 7-county metro area. Their top areas of focus in the arts were Arts Education, Music (Symphonic/Chamber), Theater Arts/Acting and Music (Opera/Choral). 91% of respondents said their audience mostly drives (91%) or uses public transportation (44%) to access their programs. Respondents reported that they mostly rent their current space (51%) and 49% had fewer than 5 regular full-time staff on site in an average week.

93 respondents (58%) reported “High” or “Some” interest in a shared arts and cultural space. Based on the reported space needs of these respondents, this indicates a total potential demand for 186,500 square feet of dedicated rental space. However, respondents also reported that location would be the most significant criteria in choosing to locate in a shared space (28%), suggesting that demand will vary depending on the location of the shared facility.

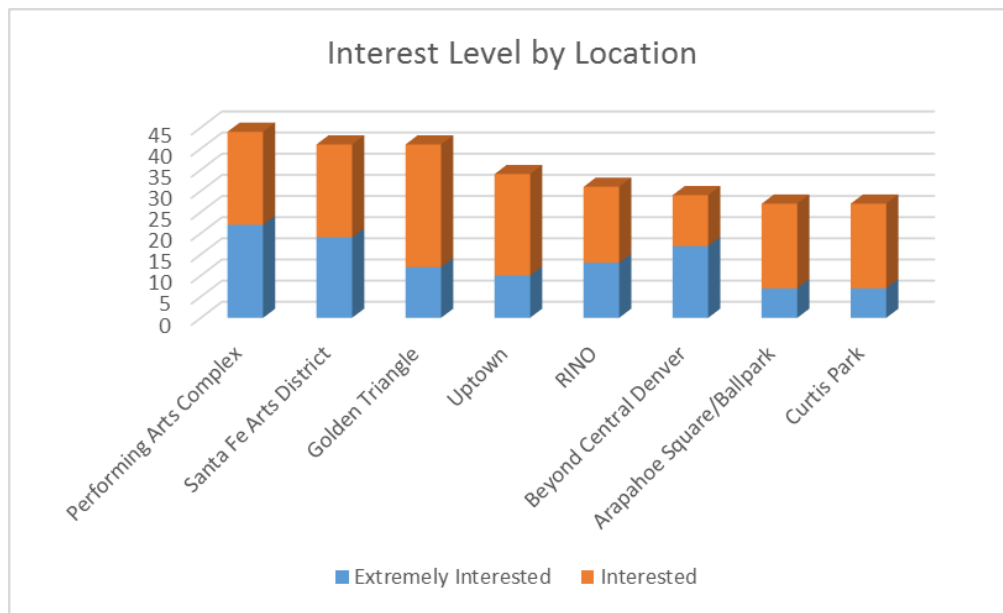
Q17 Is your organization potentially interested in accessing work, studio, program or event space at a new space dedicated to arts and culture?

Answered: 127 Skipped: 42



Demand is Location Dependent

The following chart shows responses by location. The blue parts of the bars indicate a respondent is “Extremely Interested” in that location and the orange parts indicate respondents who said they are “Interested” in a location. Based on the totals for both categories, the most popular locations for a shared arts and cultural space are the Denver Center for the Performing Arts, the Santa Fe Arts District and Golden Triangle. The Arapahoe Square area came in seventh, respectively. It is interesting to note that the survey shows very strong interest in shared arts facilities outside of Central Denver, particularly in Arapahoe and Boulder counties. Further detail on these findings will be summarized later in this report.



What Types of Spaces are Preferred?

The survey indicated the highest type of space demanded was for Theater/Performance Space (65 respondents), Event Space (54), Rehearsal Space (54), Classroom Space (42) and Administrative/Office Space (34). This suggests that the financial model for a shared arts facility may need to be more dependent on occasional use fees (such as for theater performances, rehearsal usage and events) rather than monthly rental income revenue streams like office rent. The least requested spaces were glass hot shops, ceramics studios, dark rooms, print making facilities and video/film screening rooms.

Respondents were asked to indicate what features were most desirable in a shared space and the top five were wheelchair accessibility, lockable storage/additional storage, soundproofing/special acoustics, high ceilings and high speed data lines.

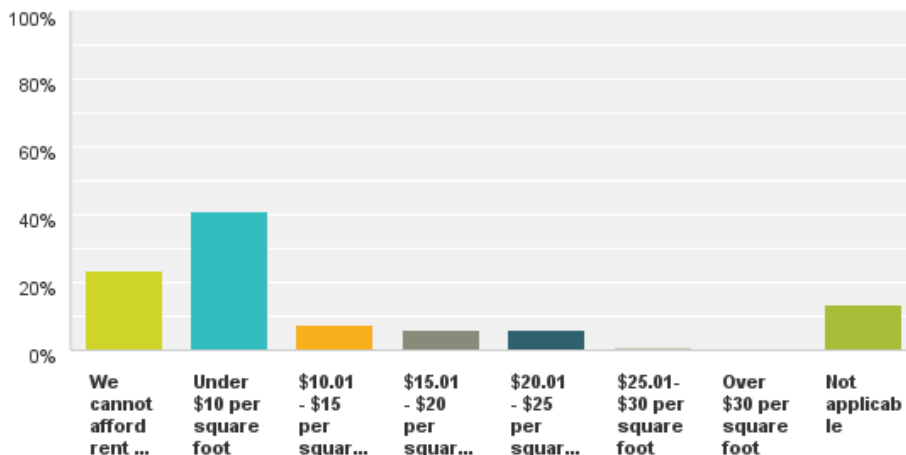
Respondents also reported needing 5-10 parking places per organization on an average day and over 50 parking spaces for special events. Parking needs will have to be further evaluated depending on the location and tenant mix of regular, daily staff on site as well as the expected number (and timing) of special events or performances.

Is there Financial Wherewithal to Support a Shared Space Project?

63% of respondents reported that the "Cost of Space" is the most important criteria in their selection of a new or satellite office. For those respondents who indicated "Some" or "High" interest in a shared space, the survey results suggest that potential users of the space could support rental rates at or below \$10 per square foot for dedicated rental space. This is below current market rates in central Denver and suggests tenant rent may only cover basic operating expenses such as utilities, maintenance, insurance etc.

Q26 If you are interested in permanent space, which range best represents the maximum amount you would pay, per square foot, inclusive of all costs?

Answered: 80 Skipped: 19



Further analysis shows more nuanced results when the affordability criteria is applied to specific locations.

Summary of Location Specific Data

	Golden Triangle	Arapahoe Square
# Interested (Respondents)	23	17
# Extremely Interested	10	6
Square Footage Desired – Interested (Respondents)	46,250	27,300
Square Footage Desired – Extremely Interested	35,000	16,250
Total Square Footage	81,250	43,550
Desired Lease Rate (Avg)	\$8.67 (Interested) to \$15.63 (Extremely Interested)	\$10.63 (Interested) to \$10.91 (Extremely Interested)
Desired Move In Date (Avg)	Anytime-2 years	Anytime-2 years
Desired Lease Term (Avg)	2-4 years	2-4 years

The above chart shows the Golden Triangle location can support a potentially higher rent level of up to \$15 per square foot. These figures should be used as preliminary indicators of demand for these locations. Additional investigation is warranted before committing to a particular project. In general, best practices from NCN's network suggest having demand for at least 2-3 times the available space due to potential tenants and users withdrawing from the process due to timing, changes in project scope, cost and other issues.

The survey also indicates strong demand for rehearsal space, conference rooms, classrooms, theater and event space which is a different financial model for shared space. This model relies less on monthly rental income from permanent tenants and more from occasional users and fees for intermittent uses of special spaces. The survey explored this question and indicated the following price ranges for the five most popular occasional uses indicated. Further analysis would be needed to determine if a specific facility had sufficient space for these uses to generate a viable business model based on such fees.

	\$0/Free	\$1-\$100	\$101-\$200	\$201-\$500	\$500-\$1,000	Over \$1,000	Response Count	Suggested Weighted Average Fee
Assumed Use Fee	0	50	150	350	750	1000		
Rehearsal Space	14	29	11	4	1	0	71	\$104.15
Conference Room	25	23	3	2	0	1	70	\$67.35
Classroom	11	33	8	0	0	0	68	\$61.63
Theater/Performance Space	5	8	9	13	10	16	68	\$644.46
Event Space	5	14	15	11	11	8	66	\$529.16

FINANCIAL SCREEN

NCN was asked to provide a broad-brush financial overlay for two potential locations for the shared space facility: Golden Triangle (the Evans School) and Arapahoe Square (the future Rocky Mountain PBS building).

Both projects are only conceptual options as of this writing and the following analysis is meant to provide a preliminary framework for evaluating their financial viability. Survey respondents indicated they do not have funds on-hand currently for tenant improvements, or would need to raise funds, so it is assumed that they would not bring financial resources to the capital development of any project but would provide an income stream from rent and usage fees to the operator of the shared facility.

	Golden Triangle – Evans School	Arapahoe Square – RMPBS
Total Square Footage	47,000 SF	20,000 SF (estimate)
Rentable Square Footage	28,630 SF	15,000 SF (estimate)
Total Demanded SF	81,250 SF	43,550 SF
Suggested Lease \$ (Full-Service)	\$12.50 PSF	\$10.75 PSF
Suggested Rental Income*	\$357,875	\$161,250
Suggested Usage Fees**	\$140,675	\$70,337
Total Suggested Annual Income	\$498,550	\$231,587

** To be conservative, the load factor is excluded in this calculation (common areas are not included in the calculation of rent). We have taken this approach given the price sensitivity of potential tenants. An analysis of operating expenses would be needed for each location to determine if the Total Suggested Annual Income is sufficient for each location or if additional common area expenses need to be allocated.*

*** Usage fees are calculated based on 100 uses per year of each special space at the rates listed on the chart on the previous page for Golden Triangle. Arapahoe Square is calculated at 50 uses per year at the same rates. This is a rough approximation and will depend on the layout of these types of special use spaces in each location. It should also be noted that intermittent space usage generally requires additional staffing, the costs of which are not included here.*

Again, the chart above is presented only to provide a basis for further discussion of the financial viability of any shared space project. The information is not meant to be used as final figures or absolute projections but should be confirmed through a further feasibility process.

RECOMMENDATIONS

We have developed a robust set of information to inform the development of a shared arts and cultural space in central Denver. We would suggest the following next steps:

- Conduct focus groups of those most interested in the most viable location(s). Greater detail is needed on the ability of potential tenants to pay sufficient rent to make any project financially viable. It is also critical to confirm the types of space needed and whether proposed sites are suitable for the variety of space needs expressed in the survey.
- It would be prudent to conduct a test fit with the help of an architect once focus groups are concluded. This would provide a more precise reconciliation of a specific building/site under consideration with the space needs of potential tenants. It would involve mapping out dedicated spaces and testing whether tenants' needs could be met within a certain facility. It would also help identify what spaces are available for intermittent uses (such as a theater, classrooms, event space, etc.) to better understand the revenue generation potential.
- It was interesting that there was substantial demand for shared arts spaces outside of central Denver, particularly in suburban areas such as Arapahoe and Boulder counties. This may suggest making the findings of this survey available to others to support such efforts.

CONCLUSION

There is demonstrated demand for a shared arts and culture space, however it is highly dependent on location. Further feasibility analysis is needed that is specific to potential development sites and the potential tenants interested in those locations. If the project can be designed and built within a budget that allows for below-market rates, this facility will be a highly-desirable space with a variety of potential users. The opportunity to address the space constraints of arts organizations is significant and the potential for collaboration among a diverse group of users lays an exciting foundation for a potential project.